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MISSION

SEC

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FEB 26 2013

OMB APPROVAL

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Washington DC

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/12 AND ENDING 12/31/12
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ERNST CAPITAL SECURITIES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

101 SOUTH REID STREET, SUITE 209

(No. and Street)

SIOUX FALLS, SD 57103-7062

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

TODD ERNST

605.271.7172

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GORACKE & ASSOCIATES, PC

(Name - if individual, state last, first, middle name)

12110 PORT GRACE BLVD, STE. 100 LA VISTA, NE 68128

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

CH
3/8/13

OATH OR AFFIRMATION

I, TODD ERNST, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ERNST CAPITAL SECURITIES, INC., as of DECEMBER 31, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

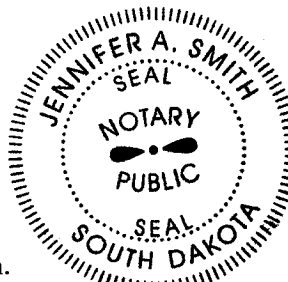
Todd Ernst

Signature

PRESIDENT

Title

Jennifer A. Smith
Notary Public



**My Commission Expires
03-07-2018**

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



101 S. REID STREET, SUITE 209
SIOUX FALLS, SD 57103

TEL: (605) 271-7172
FAX: (605) 271-8845

February 20, 2013

Securities and Exchange Commission
Registrations Branch
Mail Stop 8031
100 F Street, NE
Washington, DC 20549

SEC
Mail Processing
Section

FEB 26 2013

Washington DC
402

To whom it may concern:

As required by rule 17 a-5 (d) (1) (i), two copies of our annual audited report of financial condition is enclosed.

Please feel free to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Martin', is written over a horizontal line.

Rick Martin
Vice President

ERNST CAPITAL SECURITIES, INC.

FINANCIAL STATEMENTS

December 31, 2012



GORACKE & ASSOCIATES, P.C.
Certified Public Accountants

Ernst Capital Securities, Inc.

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GORACKE & ASSOCIATES, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Ernst Capital Securities, Inc.
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying statement of financial condition of Ernst Capital Securities, Inc., a South Dakota S Corporation, as of December 31, 2012, and the related statements of income, changes in stockholder's equity, statement of changes in liabilities subordinated to claims of general creditors and changes in financial position for the year then ended that are filed pursuant to rule 17a-5 under the Securities and Exchange Act of 1934 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ernst Capital Securities, Inc. as of December 31, 2012, and the results of its operations and its changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I, II, III, and IV is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedules I, II, III, and IV has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I, II, III, and IV is fairly stated in all material respects in relation to the financial statements as a whole.

Goradec & Associates P.C.

La Vista, Nebraska
January 25, 2013

ERNST CAPITAL SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2012

ASSETS

CURRENT ASSETS

Cash	\$	68,821
CRD - Escrow		30
Savings - Escrow		<u>101</u>
Total current assets		<u>68,952</u>

TOTAL ASSETS

\$ 68,952

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accrued expenses	\$	<u>10,745</u>
Total current liabilities		10,745

STOCKHOLDER'S EQUITY

Common stock; \$1 par value; 100,000 shares authorized and 1,000 shares issued and outstanding		1,000
Paid-in capital		63,950
Accumulated deficit		<u>(6,743)</u>
Total stockholder's equity		<u>58,207</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 68,952

See accompanying notes to financial statements.

ERNST CAPITAL SECURITIES, INC.

STATEMENT OF INCOME

Year Ended December 31, 2012

Revenues

Consulting	\$ 10,000
Commission	293,200
Interest	<u>10</u>

Total Revenues 303,210

Expenses

Licenses and permits	4,267
Insurance	1,408
Office	2,000
Commission	205,179
Professional fees	33,982
Rent	3,000
Payroll and payroll taxes	19,701
Telephone	1,272
Other expense	<u>22</u>

Total Expenses 270,831

Net Profit \$ 32,379

See accompanying notes to financial statements.

ERNST CAPITAL SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Year Ended December 31, 2012

	Issued Shares	Common Stock	Paid-In Capital	(Accumulated Deficit)	Stockholder's Equity
December 31, 2011	1,000	\$ 1,000	\$ 58,950	\$ (39,122)	\$ 20,828
Capital contribution			5,000		5,000
Net Profit				32,379	32,379
December 31, 2012	<u>1,000</u>	<u>\$ 1,000</u>	<u>\$ 63,950</u>	<u>\$ (6,743)</u>	<u>\$ 58,207</u>

See accompanying notes to financial statements.

ERNST CAPITAL SECURITIES, INC.

STATEMENT OF CHANGES IN LIABILITIES

SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

December 31, 2012

Subordinated Liabilities, December 31, 2011	\$ -
Increases	-
Decreases	-
Subordinated Liabilities, December 31, 2012	<u>\$ -</u>

See accompanying notes to financial statements.

ERNST CAPITAL SECURITIES, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss \$ 32,379

Adjustments to reconcile net loss to net cash
used for operating activities:

Increase in accrued expenses 2,683

NET CASH USED FOR OPERATING ACTIVITIES \$ 35,062

CASH FLOWS FROM INVESTING ACTIVITIES

Capital contribution 5,000

NET CASH PROVIDED BY INVESTING ACTIVITIES 5,000

NET INCREASE IN CASH AND CASH EQUIVALENTS 40,062

Cash and Cash Equivalents, Beginning of the Year 28,890

Cash and Cash Equivalents, End of the Year \$ 68,952

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest \$ -

Cash paid for taxes \$ -

See accompanying notes to financial statements.

Ernst Capital Securities, Inc.

Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Ernst Capital Securities, Inc. (Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity.

Nature of Activity

Ernst Capital Securities, Inc. is a South Dakota corporation that operates as a registered broker-dealer and acts as an agent in the sale of real estate interests for a limited liability company in which the Company's stockholder is a partner or manager. The Company did change its name from Ernst Capital Group I, Inc. to Ernst Capital Securities, Inc. in 2010. It is regulated by the Securities Exchange Commission and is under the jurisdiction of FINRA (Financial Industry Regulatory Authority). FINRA is the largest independent regulator for all securities firms doing business in the United States.

Basis of Accounting

The Company prepares its financial statements on the accrual basis using generally accepted accounting principles.

Revenue Recognition

The Company receives revenue (commissions) from selling interests in limited liability companies that hold real estate used for the production of income. The company also receives revenue from due diligence or compliance and administration of the offering. This revenue is recognized under the contract with the limited liability company at the time the investor (subscription agreement) is accepted by the issuer.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2012.

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Income Taxes

The Company elected to be taxed under the provisions of subchapter S of the Internal Revenue Code. The income of the Company is passed through to the individual stockholders who report it on their personal tax returns. Therefore, there is no provision or liability for federal or state income taxes reflected in these financial statements. The income allocable to each shareholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the shareholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities.

Ernst Capital Securities, Inc.

Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in the accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management does not expect the interpretation will have a material impact (if any) on its results from operations or financial position.

No interest or penalties have been accrued for the year ended December 31, 2012. The federal and state income tax returns of the Company for 2011, 2010, and 2009 are subject to examination by the IRS generally for 3 years after they are filed. There is no state income tax in South Dakota.

Compensated Absences

During the year ended December 31, 2012 the Company had two full-time employees. Accrued vacation pay at December 31, 2012 was deemed immaterial and was not accrued.

Subsequent Events

Management has evaluated subsequent events through January 25th, 2013, the date the financial statements were available to be issued. The Company effective January 1, 2013 has converted from an S corporation to a limited liability company.

NOTE B NET CAPITAL REQUIREMENTS

The Company, as a registered broker-dealer, is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934. This rule requires the Company to maintain net capital of at least \$5,000 or 6 and 2/3 percent of "aggregated indebtedness", whichever is greater. In addition the Company is not permitted to exceed a ratio of aggregate indebtedness to net capital of 15 to 1, both as defined in the Rule. At December 31, 2012, the Company had net capital of \$58,076, which was \$53,076 in excess of its requirement. The Company's ratio of aggregate indebtedness to net capital was 0.1850 to 1, at December 31, 2012.

NOTE C RELATED PARTY TRANSACTIONS

The Company's only source of revenue is from the sale of interests in real estate held by limited liability companies (LLC) and from compliance and administrative work to the same LLCs. These real estate developments are managed and typically owned by family members of the stockholder. The total commission and administrative revenue received from those LLCs was \$303,200.

The Company rents office space from Ernst Capital Group, LLC that is affiliated with the shareholder through common ownership. Total rent due to that entity was \$3,000 during the year ended December 31, 2012. See Note F for future minimum rental commitments.

Ernst Capital Securities, Inc.

Notes to Financial Statements

NOTE C RELATED PARTY TRANSACTIONS (Continued)

The company rents computer networking and telecommunication and receives clerical services from Ernst Capital Group, LLC that is affiliated with the shareholder through common ownership. The rental agreement and the clerical services agreement are for one year. Total rent due for networking and telecommunications equipment to that entity was \$1,272 during the year ended December 31, 2012. The amount due for clerical services was \$1,590 during the year ended December 31, 2012. All amounts have been paid at year-end.

NOTE D CONCENTRATIONS

All of revenues were generated from limited liability companies where the same related party had controlling interests for the year ended December 31, 2012. The Company's cash balances are in one financial institution. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At times the balances in the Company's accounts may exceed this limit. The Company is also a member of the Securities Investor Protection Corporation (SIPC), a nonprofit organization that assists investors when a brokerage firm closes due to bankruptcy or other financial difficulties. SIPC works to return customers' cash, stock, and other securities, and other customer property that may be missing from their account. It does not cover individuals who sold worthless stocks and other securities but rather helps customers when stocks and other securities are stolen or put at risk when a brokerage fails for other reasons. Securities in accounts transacted by the Company are protected in accordance with SIPC rules up to \$500,000 including \$250,000 cash.

NOTE E RESTRICTED CASH

The CRD – Escrow account contains restricted cash used to pay for new or renewal licensing fees to federal and state agencies. The Savings – Escrow account contains funds used to open an account to hold client funds. The Company does own the account balance.

NOTE F COMMITMENTS

The Company leases its facility from a related party as discussed in Note C. The lease agreement is on a year-to-year basis. Future minimum rental commitments under this non-cancelable lease are as follows as of December 31, 2012:

For Year Ending December 31:	
2013	\$ 6,000

SUPPLEMENTAL SCHEDULES

ERNST CAPITAL SECURITIES, INC.

Computation of Aggregate Indebtedness and Net Capital In Accordance with
Rule 15c3-1 Under the Securities Exchange Act of 1934

December 31, 2012

Schedule I

Aggregate Indebtedness:

Total Liabilities	\$	10,745
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Total Aggregate Indebtedness		10,745
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Net Capital:

Credit items:

Common stock	\$	1,000	
Additional paid-in capital		63,950	
Accumulated deficit		(6,743)	58,207

Deduct Nonallowable Assets:		131
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Net Capital	\$	58,076
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Capital Requirements:

Minimum dollar requirements	\$	5,000
Net Capital exceeding requirements		53,076

Net Capital	\$	58,076
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Percentage of Aggregate Indebtedness
to Net Capital

18.50%

ERNST CAPITAL SECURITIES, INC.

Reconciliation of Net Capital and Aggregate Indebtedness per
Audit Report to Client's FOCUS Report
December 31, 2012

Schedule II

Aggregate indebtedness per audit report	\$ 10,745
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Aggregate indebtedness per FOCUS report	<u>10,745</u>
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Difference	<u>\$ 0</u>
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Net capital per audit	\$ 58,076
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Net capital per FOCUS report	<u>58,076</u>
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Difference	<u><u>\$ 0</u></u>
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ERNST CAPITAL SECURITIES, INC.

Information Relating to Possession or Control Requirements

December 31, 2012

Schedule III

This firm claims exemptions to SEC Rule 15c3-3 pursuant to subparagraph (k)(2)(i).

ERNST CAPITAL SECURITIES, INC.

Computation of Reserve Requirement
December 31, 2012

Schedule IV

This firm claims exemptions to SEC Rule 15c3-3 pursuant to subparagraph (k)(2)(i).

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM ON INTERNAL CONTROL**



GORACKE & ASSOCIATES, P.C.
Certified Public Accountants

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM ON INTERNAL CONTROL**

To the Board of Directors
Ernst Capital Securities, Inc.
Sioux Falls, South Dakota

In planning and performing our audit of the financial statements of Ernst Capital Securities, Inc. (the Company) as of and for the year ended December 31, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those objectives of internal control and the practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations of internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projections of any evaluation of them to future periods is subject to

the risk that they may become inadequate because of changes in conditions or that effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We consider the following deficiency in the Company's internal control to be a material weakness.

Segregation of Duties

At present the Company does not have enough employees to fully segregate duties. Segregation of duties is a critical feature in any internal control structure.

We identified the following we considered to be significant deficiencies in internal control.

Use of user identification and passwords – Accounting software

At present the Company does not require user id's or passwords to access the accounting system. Passwords decrease the likelihood of unauthorized access to the accounting system. User id's allow the Company's management to track who created, modified or deleted any transaction. In the event of a fraud or other misappropriation of assets at the Company such information would allow the Company to determine responsibility for the fraud.

Access to blank check stock

Several people have access to the Company's blank check stock including staff that reconcile the bank accounts, the bank statements and have access to accounts payable. Full access to the accounting software, blank check stock, and bank statements increases the likelihood of a fraud involving cash going undetected by management.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and the practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is intended to be and should not be used by anyone other than these specified parties.

Goroduk & Associates PC

La Vista, Nebraska
January 25, 2013

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**



GORACKE & ASSOCIATES, P.C.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES
RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors
Ernst Capital Securities, Inc.
Sioux Falls, SD

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the period from January 1, 2012 to December 31, 2012, which were agreed to by Ernst Capital Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you in evaluating Ernst Capital Securities, Inc.'s compliance with the applicable instructions of the Assessment Reconciliation (Form SIPC-7). Ernst Capital Securities, Inc.'s management is responsible for the Ernst Capital Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2012, less revenues reported on the FOCUS reports for the period from January 1, 2012 to December 31, 2012, as applicable, with the amounts reported in Form SIPC-7 for the period from January 1, 2012 to December 31, 2012, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Goroduk & Associates P.C.

La Vista, Nebraska
January 25, 2013